European Parliament
2019-2024

Plenary sitting

A9-0336/2023

7.11.2023

REPORT

Role of tax policy in times of crisis
(2023/2058(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Kira Marie Peter-Hansen

PR_INI

CONTENTS

Page

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION..3

EXPLANATORY STATEMENT 14

OPINION OF THE COMMITTEE ON BUDGETS 16

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE.................................20

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE 21

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

Role of tax policy in times of crisis
(2023/2058(INI))

The European Parliament,

– having regard to its resolution of 16 September 2021 entitled ‘Implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to overcome’[1],

– having regard to its resolution of 7 October 2021 on reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)[2],

– having regard to its resolution of 21 October 2021 entitled ‘Pandora Papers: implications for the efforts to combat money laundering, tax evasion and tax avoidance’[3],

– having regard to its resolution of 9 March 2022 on the draft Council directive amending Directive 2006/112/EC as regards rates of value added tax[4],

– having regard to the Commission proposal of 14 July 2021 for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism (COM(2021)0564),

– having regard to its resolution of 15 January 2019 on gender equality and taxation policies in the EU[5],

– having regard to the Commission report of 28 June 2022 entitled ‘Taxation Trends in the European Union – 2022 edition’,

– having regard to the Commission communication of 15 July 2020 entitled ‘An action plan for fair and simple taxation supporting the recovery strategy’ (COM(2020)0312),

– having regard to Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices[6],

– having regard to the study entitled ‘The effectiveness and distributional consequences of excess profit taxes or windfall taxes in light of the Commission’s recommendation to Member States’, published by the Policy Department for Economic, Scientific and Quality of Life Policies of its Directorate-General for Internal Policies on 29 March 2023,

[1] OJ C 117, 11.3.2022, p. 120.
[2] OJ C 132, 24.3.2022, p. 167.
[3] OJ C 184, 5.5.2022, p. 141.
[4] OJ C 347, 9.9.2022, p. 232.
[5] OJ C 411, 27.11.2020, p. 38.
[6] OJ L 261 I, 7.10.2022, p. 1.

– having regard to the report of the Organisation for Economic Co-operation and Development (OECD) of 14 October 2021 entitled ‘Tax and fiscal policies after the COVID-19 crisis’,

– having regard to the OECD publication of 21 January 2021 entitled ‘Updated guidance on tax treaties and the impact of the COVID-19 pandemic’,

– having regard to the OECD report of 18 February 2022 entitled ‘Tax Policy and Gender Equality – A Stocktake of Country Approaches’,

– having regard to the OECD report of 12 April 2018 entitled ‘The Role and Design of Net Wealth Taxes in the OECD’,

– having regard to the OECD report of 15 October 2019 entitled ‘Taxing Energy Use 2019 – Using Taxes for Climate Action’,

– having regard to the OECD Model Convention on Income and on Capital 2017,

– having regard to the study entitled ‘Taxation in support of green transition: an overview and assessment of existing tax practices to reduce greenhouse gas emissions’, published by the Commission’s Directorate-General for Taxation and Customs Union on 6 January 2021,

– having regard to the study entitled ‘Study on the taxation of the air transport sector’, published by the Commission’s Directorate-General for Taxation and Customs Union on 2 July 2021,

– having regard to Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity[7],

– having regard to the Commission communication of 18 May 2022 on the REPowerEU plan (COM(2022)0230),

– having regard to the OECD report of 19 May 2020 entitled ‘Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience’,

– having regard to the opinion of the European Economic and Social Committee of 13 July 2022 on taxation of cross-border teleworkers and their employers[8],

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the opinion of the Committee on Budgets,

– having regard to the report of the Committee on Economic and Monetary Affairs (A9-0336/2023),

A. whereas tax policy has a fundamental role in times of crisis;

[7] OJ L 283, 31.10.2003, p. 51.
[8] OJ C 443, 22.11.2022, p. 15.

B. whereas the economic recovery, the climate crisis, the COVID-19 pandemic, the Russian military aggression against Ukraine and the consequences of these increase the need to mobilise more resources and to increase the efficiency of collection and spending of tax revenues in the Member States; whereas these crises have resulted in a complex situation requiring a re-evaluation of our current taxation policies as we face war at the EU's borders, prolonged inflationary pressure, an economic downturn and regression on globalisation, multilateralism and global cooperation;

C. whereas tax policy is an important instrument for financing national fiscal policies that support economic recovery, but also for upholding investment; whereas taxation should not be an obstacle to investment by citizens and companies and should therefore be simple and accessible in administrative terms and stable and predictable in its legal design; whereas the complexity of national tax systems and the bureaucracy involved in taxation-related matters can be a significant administrative burden, which is exacerbated further in times of crisis and undermines the effectiveness of tax policies in responding to crises;

D. whereas unit profits contributed around two thirds to domestic inflation in 2022; whereas in the previous 20 years, their average contribution had been around one third; whereas this, in turn, led to the shocks feeding into inflation much more quickly and forcefully than in the past[9];

E. whereas the growing trend of cross-border teleworkers, including digital nomads, has created new challenges for the definition for tax residency and thus the taxation of labour income;

F. whereas the overall composition of the tax mix in the EU remained broadly stable between 2004 and 2019, while the overall level of tax revenue increased slightly; whereas the composition of the tax mix (relative shares of labour, consumption, capital, environmental and other taxes) varies significantly across the EU;

G. whereas the EU Member States' tax revenues derive mostly from labour income taxes, social contributions and indirect taxes, such as the value added tax (VAT) or excise duties; whereas labour taxation remains substantial across the EU while tax rates on corporate profits have plummeted by more than half since the 1980s, according to OECD and Commission statistics[10];

H. whereas women are typically more impacted by crises since pre-existing structural inequalities are amplified; whereas adequately resourced public services play a vital role in supporting and protecting women in times of crisis;

I. whereas in order to enhance the performance of the single market, tax coordination among the Member States is essential for further integration, always bearing in mind that the Member States are free to determine their own tax policies within the limits of

---

[9] Speech given by the President of the European Central Bank (ECB), Christine Lagarde, on 27 June 2023 at the ECB Forum on Central Banking 2023 in Sintra, Portugal.

[10] Crivelli, E. et al, 'Taxing Multinationals in Europe', IMF Departmental Paper No 2021/012, International Monetary Fund, Washington, 25 May 2021, and European Commission, 'Annual report on taxation 2023 – Review of taxation policies in EU Member States', Publications Office of the European Union, Luxembourg, 3 July 2023.

the EU Treaties;

J. whereas women face implicit tax biases, as they typically rely more on labour income than capital income and spend a higher proportion of their income on consumption[11]; whereas in the EU, secondary earners are predominantly women, earning on average about one third of the household's joint income[12];

K. whereas concerns have been raised about the potential double taxation of Ukrainian refugees who continue to perform their duties for their Ukrainian employer while working remotely from their host countries and about the lack of coordination among EU Member States in finding a solution for this issue; whereas double taxation in general remains a problem for all involuntarily displaced individuals;

L. whereas VAT rates have been reduced across crisis-stricken sectors and on basic goods to dampen the negative effects of the COVID-19 pandemic and high inflation;

M. whereas revenues from environmental taxes remain marginal, as they account for only 5.5 % of total tax revenues in the EU, underutilising the potential of proportional environmental taxation to contribute to climate and nature protection[13];

N. whereas the number of private jet flights in Europe increased by 64 % between 2021 and 2022; whereas carbon dioxide emissions from private flights more than doubled in that period[14];

O. whereas between 2020 and 2022, the shipping industry, as one of the main drivers of international trade and a facilitator of the global distribution of goods, generated as much profit as it had during the previous six decades combined; whereas the OECD/G20 agreement on multinationals exempted this sector;

P. whereas small and medium-sized enterprises (SMEs) are especially affected by the complexities of the tax system, in particular tax compliance, compared to multinational enterprises (MNEs); whereas estimated tax compliance costs for large companies amount to about 2 % of taxes paid, while for SMEs the estimate is about 30 % of taxes paid[15]; whereas tax avoidance undermines the level playing field;

Q. whereas the informal economy accounts for an enormous share of the Member States' economy, although national realities differ significantly among them; whereas this means that an inordinate share of taxes due are lost to tax evasion;

Tax responses to ongoing crises and inflation

---

[11] Delgado Coelho, M. et al, 'Gendered Taxes: The Interaction of Tax Policy with Gender Equality', IMF Working Paper No 2022/026, International Monetary Fund, Washington, 4 February 2022.

[12] Gunnarsson, Å. and Spangenberg, U., 'Gender Equality and Taxation Policies in the EU', *Intereconomics*, Volume 54, Number 3, 2019, pp. 141-146.

[13] European Commission, 'Annual report on taxation 2023 – Review of taxation policies in EU Member States', Publications Office of the European Union, Luxembourg, 3 July 2023.

[14] Faber, J. and Raphaël, S., 'CO_2 emissions of private aviation in Europe', CE Delft, Delft, March 2023.

[15] Commission communication of 15 July 2020 entitled 'An action plan for fair and simple taxation supporting the recovery strategy' (COM(2020)0312).

1. Highlights that tax systems and fiscal capacities in the Member States are facing severe challenges, an ageing population, the green transition, the consequences of the ongoing Russian military aggression against Ukraine, the post-pandemic context and the digital transformation of their labour markets[16], all of which emphasise the need for public and private investments and effective tax policies in order to achieve an economic recovery and attract entrepreneurship;

2. Points out that in times of crisis, need for public resources is greater, as is the associated burden, underlining the necessity for all societal actors to contribute their fair share;

3. Notes with concern that the impacts of the COVID-19 pandemic, the energy price shock following the Russian military aggression against Ukraine and high inflation are harmful for people and companies, with the poorest households being hit the hardest; observes that effective tax rates rose significantly for families with children, particularly at lower income levels[17]; notes with concern that gender inequality worsened during the pandemic[18]; notes that inflation pushed up overall VAT receipts, mechanically leading to higher VAT revenue for the Member States; notes, however, that the Members States are still confronted with significant imbalances in state revenue; regrets the fact that the recent crises have also significantly affected self-employed people and SMEs;

4. Observes that COVID-19 financial aid in the form of tax deductions and tax credits helped many companies to overcome the negative consequences of the COVID-19 crisis, but had a limited impact on those in the greatest need;

5. Notes that prices have risen by 11 % since the beginning of 2022 due to inflation shocks[19]; observes that increasing profit margins have made a visible contribution to domestic price pressures in the euro area, according to the European Central Bank[20] and, at the same time, notes with concern that some EU companies, particularly SMEs, and households have been suffering from the effects of high inflation;

6. Observes that some MNEs that realise excess profits in times of crisis are often undertaxed[21]; notes that some EU companies, particularly SMEs, have had to cease their operation as a consequence of the crisis; observes that according to a report by the European Court of Auditors[22], there is insufficient transparency in the individual assessments carried out by some Members States and the information that Member

---

[16] European Commission, 'Tax policies in the European Union – 2020 survey', Publications Office of the European Union, Luxembourg, 2020.
[17] OECD, 'Double blow for workers as inflation drives real wages down and labour taxes up', 25 April 2023.
[18] European Commission, '2021 report on gender equality in the EU', Publications Office of the European Union, Luxembourg, 2021.
[19] Hahn, E., 'How have unit profits contributed to the recent strengthening of euro area domestic price pressures?' ECB Economic Bulletin, Issue 4/2023, 2023, and speech given by the ECB President on 27 June 2023 at the ECB Forum on Central Banking 2023 in Sintra, Portugal.
[20] Hahn, E., 'How have unit profits contributed to the recent strengthening of euro area domestic price pressures?' ECB Economic Bulletin, Issue 4/2023, 2023.
[21] Crivelli, E. et al, 'Taxing Multinationals in Europe', IMF Departmental Paper No 2021/012, International Monetary Fund, Washington, 25 May 2021, and Hebous, S. et al, 'Excess Profit Taxes: Historical Perspective and Contemporary Relevance', IMF Working Paper No 2022/187, International Monetary Fund, Washington, 16 September 2022.
[22] European Court of Auditors Special Report 03/2021 entitled 'Exchanging tax information in the EU: solid foundation, cracks in the implementation'.

States exchange is of limited quality and underused;

7. Notes that the impact of temporary VAT reductions for end consumers was limited and was more pronounced for companies that, in some instances, increased their profit margins; notes that some Member States prioritised untargeted measures over targeted measures intended to stimulate consumer demand and support the economy; calls on the Member States to properly assess the effectiveness of temporary measures in guaranteeing that the reductions were reflected in the final prices of products and services and had only a limited impact on the single market;

8. Acknowledges that each Member State is entitled to determine its tax mix according to its needs, particularly in the social and economic sphere, but notes that, in the overall tax mix, environmental taxation continues to account for a low share of total tax revenues[23] in the EU; takes note of the significant differences between individual Member States; notes that fossil fuel subsidies remain high in the EU and globally[24]; observes that, overall, the Member States' tax systems could be more effective tools to tackle the climate and biodiversity crises and could contribute more effectively to reaching the EU's climate goals; recognises that important legislative initiatives under the European Green Deal aim to respond to these issues and develop a level playing field;

9. Takes note of the commitment made by Commission Vice-President Maroš Šefčovič and Commissioner Wopke Hoekstra to try to speed up the discussions on the Energy Taxation Directive, which is a very important building block of the Fit for 55 package;

10. Is concerned that tax fraud, tax evasion and tax avoidance continue to deprive governments of revenue; calls on the Commission to have a study conducted to update the 2015 reference work on revenue losses resulting from aggressive tax planning in the EU;

11. Calls on the Member States to consider the 'COVID-19 precedent' for the taxation of cross-border workers as regards the tax treatment of Ukrainian refugees, which would entail disregarding the additional days spent in the host country for the calculation of the 183-day rule; recommends that the Member States' national tax authorities offer tax guidance to refugees in order to significantly reduce administrative complications; considers that common guidance would help to reduce such complications and therefore calls on the Council to tackle this issue; underlines the importance and clear added value of cooperation between the EU Member States and Ukraine in the field of taxation; considers that the national tax authorities, working through the Fiscalis network, can put in place an effective communication channel with the Ukrainian national tax authority; calls on the Member States to consider creating such a communication and cooperation channel;

12. Observes that climate change and other external shocks, together with digitalisation and

---

[23] European Commission, 'Annual report on taxation 2023 – Review of taxation policies in EU Member States', Publications Office of the European Union, Luxembourg, 3 July 2023.
[24] Black, S. et al, 'IMF Fossil Fuel Subsidies Data: 2023 Update', IMF Working Paper No 2023/169, International Monetary Fund, Washington, 24 August 2023, and European Court of Auditors Review 01/2023 entitled 'Energy taxation, carbon pricing and energy subsidies'.

the possibility of teleworking, are causing people to move within the EU;

13. Welcomes the benefits of teleworking for both employers and employees; recognises the particular challenges that the rise of cross-border teleworking pose to the international taxation systems of today; notes that this could reinforce the tendency to rely on immobile tax bases; underlines workers' right to free movement as recognised in the Treaties, while nevertheless acknowledging the impact of this movement on Member States' public finances; calls on the Commission to present an assessment of whether it is appropriate for the tax treatment of the exercise of the right to free movement to be agreed bilaterally between Member States and regrets the fact that there is no common, EU-level response to this shared challenge;

Resilient tax systems for the future

14. Considers that, in light of the many crises faced by people and the Member States, the EU should seize the opportunity to carry out a full-scale and comprehensive analysis of its Member States' tax systems so that Member States can quickly introduce the necessary tax measures and abolish measures that are no longer necessary, and to assess the added value of EU legislation and the existing loopholes for administrative cooperation in the field of taxation in order to respond more effectively to future crises; calls, in this context, on the Commission to speed up the approval procedure on its side if necessary;

15. Calls on the Commission to launch a comprehensive evaluation of the implementation of the Commission communication of 15 July 2020 entitled 'An action plan for fair and simple taxation supporting the recovery strategy', followed, if deemed necessary, by an action plan on important areas for reform in order to strengthen the resilience of Member States' tax systems, where appropriate, by making them future- and crisis-proof, including through the simplification of their national tax systems; asks the Commission to also assess and explain the delays on important areas for reform intended to strengthen the Member States' tax systems;

16. Calls on the Commission to assess the effectiveness of the temporary tax incentives, including VAT reductions, applied in Member States and to take measures if deemed necessary; calls on the Commission to issue guidance on the best tools for providing targeted income support to vulnerable households without creating distortions within the EU and without negatively affecting the single market and competitiveness; regrets the fact that, despite the increased tax revenue registered in some Member States because of the effects of inflation, particularly on indirect taxes, in most Member States this window of opportunity to ease households' burden without compromising the stability of public finances was not taken; calls on the Commission to assess the potential of VAT cashback systems and real-time VAT returns for vulnerable households; takes the general view that targeted tax policy can deliver better results and that tax measures taken by Member States in future should target those who really need them;

17. Highlights that proportionate environmental taxes and well-designed incentives could have the potential to both provide some additional temporary revenues and support a

carbon-free economy[25]; recommends paying due attention to the cost borne by vulnerable households and prioritising their access to incentives so that they can benefit from access to cleaner energy and save on costs by lowering their energy consumption;

18. Notes that in the current challenging economic climate, sustainable tax revenue is crucial; highlights the need to focus reducing tax fraud, tax avoidance and tax evasion in the area of direct and indirect taxation; calls on the Member States to use the existing legal and administrative tools more effectively;

19. Considers that the Member States should design their national tax systems in order to promote prosperity, equality and social inclusion and should more effectively redistribute income and wealth through fair taxation; invites the Commission to issue technical guidance for Member States willing to introduce taxes on capital and/or net assets in order to avoid divergences within the EU if such divergences are recognised;

20. Takes note of the registration of the European citizens' initiative entitled 'Taxing great wealth to finance the ecological and social transition' on the basis of Article 115 of the Treaty on the Functioning of the European Union; notes that the Commission acknowledged, in its decision to register the initiative, that the request did not manifestly fall outside the framework of the Commission's powers to submit a proposal for a legal act of the Union for the purpose of implementing the Treaties;[26] recalls that this conclusion does not affect the assessment of whether the concrete substantive conditions required for the Commission to act, including compliance with the principles of proportionality and subsidiarity and compatibility with fundamental rights, would be met in this case;

21. Calls on all the Member States to adjust personal income tax brackets to inflation to ensure the level of taxation remains constant if there is no political decision to change the level of taxation;

22. Recalls that the excess profit taxes in place in some Member States are temporary and limited measures to tackle the inflationary pressure; considers that the Member States must regularly assess the proportionality, adequacy and effectiveness of such taxes; recalls its support for the temporary solidarity contribution for the fossil fuel sector as established by Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices; calls on the Commission to conduct a comprehensive evaluation of the impact of the temporary solidarity contribution for the fossil fuel sector; calls on the Commission to conduct an extensive impact assessment on possible tax-related responses to future crises, taking into account the experience gained with the temporary solidarity contribution and proposing new solutions for urgent situations, particularly in terms of support for vulnerable households and the middle class, a competitiveness boost, inflation control and fiscal stability; invites the Commission to analyse, among other things, a temporary excess profit tax on other sectors for future crises in order to curb the oligopolistic power of certain companies and boost

---

[25] European Commission, 'Annual report on taxation 2023 – Review of taxation policies in EU Member States', Publications Office of the European Union, Luxembourg, 3 July 2023.

[26] Commission Implementing Decision (EU) 2023/1487 of 11 July 2023 on the request for registration, pursuant to Regulation (EU) 2019/788 of the European Parliament and of the Council, of the European citizens' initiative entitled 'Taxing great wealth to finance the ecological and social transition'.

competitiveness;

23. Notes Commission Vice-President Šefčovič and Commissioner Hoekstra's commitment to launching a discussion on the phase-out of fossil fuel subsidies at a forthcoming meeting of the Economic and Financial Affairs Council; recalls its demand to implement concrete policies, timelines and measures in order to phase out fossil fuel subsidies through tax measures as soon as possible;

24. Notes that other sectors, such as the agri-food, financial and pharmaceuticals industries, have also recently made 'surplus profits'; considers that the Commission and the Council should continually assess how any revenue stemming from new temporary crisis taxation mechanisms should enter the EU budget (whether as own resources or other revenue);

25. Notes that the shipping industry is excluded from the OECD/G20 Pillar Two agreement; observes with concern that private jet flights have greatly increased in the EU in the past few crisis-stricken years[27]; invites the Commission to review the taxation of air and sea transport in order to align them with the Green Deal objectives and create a level playing field with other modes of transport, such as road and rail transport; notes Commissioner Hoekstra's commitment to advocating a global aviation tax;

26. Calls for a multilateral initiative at the OECD Inclusive Forum to introduce minimum carbon price standards, recalls its resolution of 20 October 2022 on the 2022 UN Climate Change Conference in Sharm El-Sheikh, Egypt (COP27), in which it called on the Commission to engage with major CO_2 emitters outside the EU to create an international climate club[28]; recalls the agreement of December 2022 on the carbon border adjustment mechanism (CBAM), stressing the need for bilateral, multilateral and international cooperation with non-EU countries, and reiterates its calls for a climate club to be set up to promote the global implementation of ambitious climate action and to help countries advance towards a global carbon-pricing framework;

27. Calls on the Commission to put in place an EU-wide programme of cooperation and coordination among national tax authorities to tackle tax evasion related to the mechanisms of the informal economy, sharing good practices and benchmarking adopted solutions at national level;

28. Calls on the Commission to increase the financing of the Fiscalis programme and to promote its reform in order to transform the Fiscalis network into a true space for benchmarking and for sharing good practices, particularly on administrative simplification and strategies to tackle tax fraud and tax evasion;

29. Calls on the Commission to conduct a comparative study of the tax incentives applied across the EU; calls on the Fiscalis network to support the Commission in this task and to promote a comprehensive debate on the effectiveness of such incentives and their adequacy in view of the political objectives pursued;

30. Observes that eliminating tax-related disincentives for female employment and unequal

[27] Faber, J. and Raphaël, S., 'CO_2 emissions of private aviation in Europe', CE Delft, Delft, March 2023.
[28] OJ C 149, 28.4.2023, p. 28.

distribution of paid and unpaid work is one of the objectives of tax policy from a gender-equality perspective[29]; calls on the Commission to provide guidance on taking gender equality into account in tax policy design and tax administration; notes the need to improve the collection of gender-disaggregated data; calls on the Commission to look into the gender pay gap situation from a tax perspective; calls on the Commission to assess existing data with respect to tax policy design and its impact on unpaid care work, use of public services, income and pension differentials and labour market participation;

31. Regrets the fact that the Commission did not present the announced recommendation on EU taxpayers' rights – simplified procedures for better tax compliance, despite conducting a public consultation with a view to presenting it in the third quarter of 2021; calls on the Commission to present this recommendation without delay;

32. Holds that the EU budget's investment policy and its multiannual programming are a stabilising factor, helping to ensure that certain long-term investments that enhance growth, economic resilience and convergence, contribute to the green transition and boost stable employment are not detrimentally affected by the volatility of economic cycles and national downturns;

33. Recalls that the own resources system of the Union already includes mechanisms that can be considered modest automatic stabilisers during asymmetrical crises, namely the value added tax-based own resource and the gross national income-based own resource; reiterates the need to fully respect the timeline of the legally binding roadmap for the introduction of new own resources annexed to the Interinstitutional Agreement of 16 December 2020[30], including the introduction of an EU-wide financial transaction tax; urges the Commission, furthermore, to continue the efforts to identify fresh, new and preferably genuine own resources and other revenue sources for the EU budget beyond the Interinstitutional Agreement;

34. Asks for a portion of any revenue generated by permanent taxation mechanisms set up at EU level to be introduced as own resources, in order to further improve the stabilisation function of the EU budget and fund EU policy priorities;

35. Recalls that the EU budget has continuously been used as a response tool in times of crisis; calls on the Commission and the Council to explore the possibility of using the EU budget's expenditure and revenue mechanisms as response instruments and for redistribution purposes during symmetrical and asymmetrical crises, without any detriment to existing policies and programmes; calls, in this regard, for an additional permanent special instrument over and above the ceilings of the multiannual financial framework, in order to allow the EU budget to better adapt and quickly react to crises and their social and economic effects on its Member States;

---

[29] Lind, Y. and Gunnarsson, Å., 'Gender Equality, Taxation, and the COVID-19 Recovery: A Study of Sweden and Denmark', *Tax Notes International*, Volume 101, Number 5, 2021, pp. 581-590.

[30] Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433 I, 22.12.2020, p. 28).

°

° °

36. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Inequalities are exacerbated in times of crisis. The situation following the COVID-19 pandemic is no exception to this. Adding to this are Russia's war on Ukraine and the ensuing energy crisis, all of which caused high inflation and economic instability, negatively affecting our societies in the EU, as well as throughout the world in the form of a cost of living crisis, increasing inequalities, declining real wages and the deteriorating climate and biodiversity.

While European economies are slowly recovering through government support, many issues remain unaddressed and the role of taxation as a policy instrument to redistribute, raise revenue and steer behaviour remains underutilised.

This report focuses on some of the strongest negative effects that the COVID-19 crisis has had on societies in the EU, and on which solutions to these effects can be found in a more solid and just taxation system that not only responds to the current immediate crisis and inflation, but also delivers in facing the climate and biodiversity crisis among other things. Along the lines of some of the most recent studies, the report addresses some of the following points:

- the need for a reform of the taxation system if societies are to continue to provide the preconditions for inclusive and sustainable well-being;
- the economic recovery and the climate crisis increase the need to mobilise more resources and re-evaluate current taxation policies;
- SMEs are particularly affected by the complexities of the tax system and tax compliance compared to MNEs, and this worsens during times of crisis;
- women are impacted by an unfair and biased tax system, as they typically rely more on labour income, spend a higher proportion of their income on consumption and have fewer shares in MNEs;
- EU Member States rely disproportionately on labour income taxes, social contributions and indirect taxes, such as the value added tax (VAT), and this is again exacerbated during times of crisis.

While not everything can be fixed via tax reforms, a well-functioning and well-designed tax system can ensure healthy societies where income and wealth are fairly redistributed, work is valued in a carbon-free economy, explicit and implicit gender biases are tackled and governments have the means to respond to our common challenges.

While the EU needs large public investments to achieve a sustainable economic recovery and the green transition, as well as to mobilise private capital and attract entrepreneurship, it also needs to face challenges such as our ageing societies, the digital transformation of our labour markets and the existing tax gap.

The report proposes key elements that could be considered in a more holistic approach to taxation to avoid ad hoc adjustments in times of crisis, and to avoid inequalities being exacerbated by existing tax systems, with detrimental effects on our society and our planet.

Some of the important proposals in the report include:

- a permanent excess profit tax on all sectors, in light of the growing evidence that inflation is in part profit driven;
- an EU-wide prohibitive tax on private jets to account for high levels of carbon-dioxide emissions;
- a carbon tax ensuring the ‘polluters pay’ principle;
- a progressive wealth tax, similar to the OECD/G20 global tax deal for corporations.

21.9.2023

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Economic and Monetary Affairs

on the role of tax policy in times of crisis
(2023/2058(INI))

Rapporteur for opinion: Valérie Hayer

SUGGESTIONS

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Holds that the EU budget's investment policy and its multiannual programming are a stabilising factor, helping to ensure that certain long-term investments that enhance growth, economic resilience and convergence, contribute to the green transition and boost stable employment are not detrimentally affected by the volatility of economic cycles and national downturns;

2. Recalls that the own resources system of the Union already includes mechanisms that can be considered modest automatic stabilisers during asymmetrical crises, namely the value added tax-based own resource and the gross national income-based own resource; reiterates the need to fully respect the timeline of the legally binding roadmap for the introduction of new own resources annexed to the Interinstitutional Agreement (IIA) of 16 December 2020[1], including the introduction of an EU-wide financial transaction tax; urges the Commission, furthermore, to continue the efforts to identify fresh, new and preferably genuine own resources and other revenue sources for the EU budget beyond the IIA;

3. Regrets the fact that the EU, because of its restricted competences regarding direct taxation and social policies, as well as the limited size of its general budget, does not currently have effective and immediate ways of combating inequality and the risk of poverty, including through the redistribution of income between individual taxpayers or private households in times of crisis; stresses the need for enhanced EU competences and more efficient and democratic decision-making in EU tax policy, including through the transition to qualified majority voting under the ordinary legislative procedure;

4. Underlines that Europe, like the rest of the world, is facing climate and environmental

[1] Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433 I, 22.12.2020, p. 28).

challenges of an unprecedented scale and urgency; stresses that the ‘polluter pays’ principle’s coverage and application in the EU have been strengthened by the upgrading of the Emissions Trading System but remain fragmented, while the investments in this area are still insufficient; notes that fighting large-scale corporate tax avoidance more efficiently could provide governments with the revenue needed to address the cost-of-living crisis and inequalities, and to finance high-quality public services, as well as climate action, sustainable development and humanitarian responses;

5. Considers that any taxation mechanisms at European level should be appropriately designed to avoid capital flight, in order to ensure tax fairness and contribute to tackling inequalities, instead of reducing the tax base; recalls, to that end, the need to take into account digitalisation’s impact on the mobility of tax bases; calls on the Commission to assess harmful tax practices in order to attract high-net-worth individuals to Member States;

6. Asks for a portion of any revenue generated by permanent taxation mechanisms set up at EU level to be introduced as own resources, in order to further improve the stabilisation function of the EU budget and fund EU policy priorities; welcomes the temporary solidarity contribution from fossil fuel producers agreed by the Council; notes that other sectors, such as the agri-food, financial and pharmaceuticals industries, have also recently made ‘surplus profits’, and a solidarity mechanism could therefore be envisaged for sectors that have accrued undue and excessive profits; considers that the Commission and the Council should continually assess how any revenue stemming from new temporary crisis taxation mechanisms should enter the EU budget (whether as own resources or other revenue); notes that the EU budget should benefit consumers and businesses, in particular in support of vulnerable households and small and medium-sized enterprises;

7. Recalls that the EU budget has continuously been used as a response tool in times of crisis; calls on the Commission and the Council to explore the possibility of using the EU budget’s expenditure and revenue mechanisms as response instruments and for redistribution purposes during symmetrical and asymmetrical crises, without any detriment to existing policies and programmes; calls, in this regard, for an additional permanent special instrument over and above the ceilings of the multiannual financial framework, in order to allow the EU budget to better adapt and quickly react to crises and their social and economic effects on its Member States.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	20.9.2023
Result of final vote	+: 24 –: 2 0: 5
Members present for the final vote	Rasmus Andresen, Pietro Bartolo, Olivier Chastel, David Cormand, Pascal Durand, Eider Gardiazabal Rubial, Alexandra Geese, Vlad Gheorghe, Valérie Hayer, Eero Heinäluoma, Monika Hohlmeier, Moritz Körner, Joachim Kuhs, Camilla Laureti, Margarida Marques, Siegfried Mureşan, Victor Negrescu, Dimitrios Papadimoulis, Karlo Ressler, Bogdan Rzońca, Eleni Stavrou, Nils Torvalds, Nils Ušakovs
Substitutes present for the final vote	Anna-Michelle Asimakopoulou, Martin Hojsík, Jan Olbrycht, Grzegorz Tobiszowski
Substitutes under Rule 209(7) present for the final vote	Asim Ademov, Estrella Durá Ferrandis, Daniel Freund, Ralf Seekatz

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

24	+
PPE	Asim Ademov, Anna-Michelle Asimakopoulou, Siegfried Mureşan, Jan Olbrycht, Karlo Ressler, Ralf Seekatz
Renew	Olivier Chastel, Vlad Gheorghe, Valérie Hayer, Martin Hojsík, Nils Torvalds
S&D	Pietro Bartolo, Estrella Durá Ferrandis, Pascal Durand, Eider Gardiazabal Rubial, Camilla Laureti, Margarida Marques, Victor Negrescu, Nils Ušakovs
The Left	Dimitrios Papadimoulis
Verts/ALE	Rasmus Andresen, David Cormand, Daniel Freund, Alexandra Geese

2	-
ID	Joachim Kuhs
Renew	Moritz Körner

5	0
ECR	Bogdan Rzońca, Grzegorz Tobiszowski
PPE	Monika Hohlmeier, Eleni Stavrou
S&D	Eero Heinäluoma

Key to symbols:
+ : in favour
- : against
0 : abstention

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	24.10.2023
Result of final vote	+: 30 –: 18 0: 4
Members present for the final vote	Rasmus Andresen, Anna-Michelle Asimakopoulou, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Markus Ferber, Jonás Fernández, Giuseppe Ferrandino, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Claude Gruffat, José Gusmão, Eero Heinäluoma, Stasys Jakeliūnas, Othmar Karas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtsos, Aurore Lalucq, Philippe Lamberts, Aušra Maldeikienė, Pedro Marques, Siegfried Mureşan, Caroline Nagtegaal, Denis Nesci, Luděk Niedermayer, Dimitrios Papadimoulis, Piernicola Pedicini, Lídia Pereira, Kira Marie Peter-Hansen, Eva Maria Poptcheva, Evelyn Regner, Antonio Maria Rinaldi, Dorien Rookmaker, Alfred Sant, Joachim Schuster, Ralf Seekatz, Paul Tang, Irene Tinagli, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin
Substitutes present for the final vote	Damien Carême, Eider Gardiazabal Rubial, Martin Hlaváček, Chris MacManus, Margarida Marques, Laurence Sailliet
Substitutes under Rule 209(7) present for the final vote	Theresa Bielowski, Anna Bonfrisco, Elena Lizzi

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

30	+
Renew	Gilles Boyer, Giuseppe Ferrandino, Billy Kelleher, Georgios Kyrtsos, Caroline Nagtegaal, Eva Maria Poptcheva, Stéphanie Yon-Courtin
S&D	Marek Belka, Theresa Bielowski, Jonás Fernández, Eider Gardiazabal Rubial, Eero Heinäluoma, Aurore Lalucq, Margarida Marques, Pedro Marques, Evelyn Regner, Alfred Sant, Joachim Schuster, Paul Tang, Irene Tinagli
The Left	José Gusmão, Chris MacManus, Dimitrios Papadimoulis
Verts/ALE	Rasmus Andresen, Damien Carême, Claude Gruffat, Stasys Jakeliūnas, Philippe Lamberts, Piernicola Pedicini, Kira Marie Peter-Hansen

18	-
ECR	Denis Nesci, Dorien Rookmaker, Johan Van Overtveldt
ID	Anna Bonfrisco, Elena Lizzi, Antonio Maria Rinaldi
PPE	Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Aušra Maldeikienė, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Laurence Sailliet, Ralf Seekatz, Inese Vaidere

4	0
PPE	Anna-Michelle Asimakopoulou, Othmar Karas
Renew	Martin Hlaváček, Ondřej Kovařík

Key to symbols:
+ : in favour
- : against
0 : abstention